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E.O. 11652: N/A
TAGS: ETRD, EEC
SUBJECT: MTN: EC COMMISSION COMMUNICATION TO THE COUNCIL

REF: BRUSSELS 12455

1. SUMMARY: THE FOLLOWING TEXT IS A COMMUNICATION FROM
THE EC COMMISSION TO THE COUNCIL IN PREPARATION FOR THE
FOREIGN MINISTERS MEETING ON THE MTN ON JUNE 27. THE
TEXT CAME TO THE MISSION THROUGH A NORMAL DISTRIBUTION
SYSTEM USED BY THE COMMISSION FOR UNCLASSIFIED DOCUMENTS.
WE LATER LEARNED THAT THIS DOCUMENT HAD BEEN MEANT TO BE
A CONFIDENTIAL COMMUNICATION. IT CONTAINS INTERESTING
INSIGHTS INTO COMMISSION THINKING ON VARIOUS ASPECTS OF
THE NEGOTIATION. COPIES OF THE DOCUMENT, INCLUDING FIVE
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PAGES OF TARIFF HEADINGS AND PROPOSALS FOR TARIFF REDUC-
TIONS, HAVE ALREADY BEEN SENT TO MISSION GENEVA (ROWNY)
AND EUR/RPE (CASEY). THE TABLES ARE NOT INCLUDED IN THIS
CABLE AS WE UNDERSTAND THEY HAVE UNDERGONE CONSIDERABLE
CHANGE DURING THE COURSE OF ARTICLE 113 COMMITTEE DIS-
CUSSION (SEE BRUSSELS 12091 FOR DISCUSSION OF THIS POINT).
END SUMMARY.

2. TEXT OF DOCUMENT FOLLOWS:

BEGIN TEXT

GATT MULTILATERAL TRADE NEGOTIATIONS (COMMUNICATION FROM THE COMMISSION TO THE COUNCIL), COM(78) 275 FINAL - BRUSSELS, 16 JUNE 1978.

INTRODUCTION:

SINCE THE BEGINNING OF THE SUBSTANTIVE PHASE OF THE GATT MULTILATERAL TRADE NEGOTIATIONS, FOLLOWING THE PRESENTATION OF THE INITIAL OFFERS BY THE MAIN PARTICIPANTS (SEE COMMISSION COMMUNICATION I/10/78 (COS 1) OF 10 JANUARY 1978), INTENSIVE TALKS HAVE LED TO PROGRESS IN MOST OF THE FIELDS COVERED BY THE NEGOTIATIONS.

THE MAJORITY OF THE MATTERS TO BE NEGOTIATED HAVE BEEN DELIMITED AND IDENTIFIED ON THE BASIS OF THE "WORKING HYPOTHESES" WHICH EMERGED AT THE END OF 1977. LISTS OF TARIFF OFFERS (INCLUDING, NATURALLY, THE COMMUNITY.S) WERE PRESENTED IN MID-JANUARY (COUNCIL CONCLUSIONS OF 17 JANUARY 1978 I/25/78 (COS5)).

SUBSEQUENTLY, IN THE LIGHT OF THE OFFERS OF THE OTHER PARTIES, PARTICULARLY THE UNITED STATES AND JAPAN, WHICH DID NOT GO FAR ENOUGH, THE COMMUNITY ASKED THOSE COUNTRIES LIMITED OFFICIAL USE

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TO IMPROVE THEIR OFFERS AND SUBMITTED A LIST OF POSSIBLE WITHDRAWALS (COMMISSION COMMUNICATION: COM (78) 126 AND COUNCIL CONCLUSIONS OF 4 APRIL 1978: I/102/78 (COS 12)).

THE CRUCIAL PHASE OF THE NEGOTIATIONS IS NOW AT HAND, WITH THE NEED TO PUT TOGETHER BY MID-JULY AN OVERALL OUTLINE AGREEMENT, A GLOBAL COMPROMISE WHICH SHOULD:

(1) MAKE IT POSSIBLE TO DECIDE ON THE MAJOR OPTIONS IN THE NEGOTIATIONS, IT BEING UNDERSTOOD THAT A NUMBER OF POINTS CAN BE FINALIZED AT A LATER DATE;

(2) CONSTITUTE A BALANCED SET OF CONCESSIONS, INVOLVING PARTICIPATION IN THE NEGOTIATION THEREOF BY A REASONABLE NUMBER OF KEY COUNTRIES;

(3) DEMONSTRATE THE POLITICAL WILL OF THE COUNTRIES ENGAGED IN THE MTN.S, AT ANY RATE THOSE WHICH ARE TO TAKE PART IN THE WESTERN ECONOMIC SUMMIT IN BONN, TO MAINTAIN AS FREE A SYSTEM OF WORLD TRADE AS POSSIBLE, THUS BEARING WITNESS TO THEIR WILL TO RESIST PROTECTIONIST PRESSURES AND PERSEVERE WITH INTERNATIONAL ECONOMIC COOPERATION AND

THE LIBERALIZATION OF TRADE.

WITH THESE ENDS IN VIEW, THIS COMMUNICATION OFFERS THE
COUNCIL A NUMBER OF GUIDELINES FOR THE COMMUNITY.S
NEGOTIATORS.

I. GENERAL REMARKS:

1. THE MTN.S, OFFICIALY LAUNCHED IN 1973, ACTUALLY GOT
UNDERWAY IN 1975, AND ARE NOW CLEARLY AT A STAGE WHERE,
IN VIEW NOT ONLY OF THE TIME FACTOR BUT ALSO OF THE
GENERAL ECONOMIC BACKGROUND, THEIR FINAL OUTCOME IS BAL-
ANCED BETWEEN SUCCESS AND FAILURE. THIS IS NOT TO SAY
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THAT THE COMMUNITY, WHOSE PROSPERITY IS LARGELY DEPENDENT

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ON THE HEALTHY STATE OF ITS EXTERNAL TRADE, SHOULD REMAIN
PASSIVE; WHAT IS NECESSARY, IN THIS PARTICULARLY CRUCIAL
PHASE, IS TO HAVE A CLEAR VIEW OF THE COMMUNITY.S FUNDA-

MENTAL, LONG-TERM INTERESTS.

2. REACHING AN OVERALL OUTLINE AGREEMENT WOULD MEAN THAT A NUMBER OF MAJOR PROBLEMS HAD BEEN SOLVED; IT WOULD NOT MEAN THE END OF NEGOTIATIONS.

IN SOME AREAS, THERE WILL MERELY BE AGREEMENT ON BASIC CONCEPTS, WHICH WILL NEED TO BE PUT INTO LEGAL, OPERATIONAL FORM; IN OTHERS, THERE WILL BE BROAD OUTLINES OF FUNDAMENTAL ELEMENTS PROVIDING THE FRAMEWORK FOR AGREEMENTS, OR AGAIN, AGREEMENTS ON SPECIFIC ARRANGEMENTS OR CODES, WITH PERHAPS CERTAIN POINTS STILL TO BE WORKED OUT IN DETAIL.

IN ANY EVENT, THE COUNCIL WILL OBVIOUSLY HAVE TO TAKE DECISIONS ON ALL THIS AT THE FORMAL CLOSE OF NEGOTIATIONS, WHICH COULD BE SOOE MONTHS AWAY YET. NEVERTHELESS, THE OVERALL OUTLINE AGREEMENT WILL HAVE A DECISIVE INFLUENCE LIMITED OFFICIAL USE

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ON THE FINAL CONTENTS AND DETAILED PROVISIONS OF THE VARIOUS AGREEMENTS OR ARRANGEMENTS.

3. SINCE WHAT IS BEING CONSIDERED IS AN OVERALL OUTLINE AGREEMENT, IT WILL HAVE TO DEAL WITH, AND IF POSSIBLE RESOLVE, ALL MATTERS REGARDED BY THE MAIN PARTICIPANTS AS MAJOR POINTS. NOT ONLY HAVE THE NEGOTIATIONS BEEN CONSIDERED SINCE THE OUTSET AS ONE UNDERTAKING, THE VARIOUS ELEMENTS OF WHICH MUST MOVE FORWARD TOGETHER (1/ PARAGRAPH 8 OF THE TOKYO DECLARATION)

BUT GIVEN THE INTERRELATEDNESS OF THE INTERESTS AT STAKE, IT IS HARDLY REALISTIC TO EXPECT AGREEMENT TO BE REACHED ON INDIVIDUAL ITEMS OF THE "PACKAGE", IN ISOLATION; ON THE CONTRARY, PARTICIPANTS MUST LOOK AT THE ADVANTAGES AND CONCESSIONS IN THE DIFFERENT AREAS AS A WHOLE.

4. IN ANY EVENT, GIVEN THE COURSE OF NEGOTIATIONS IN THE GATT SINCE ITS FOUNDATION, IT IS CLEAR THAT SOLUTION OF NON-TARIFF PROBLEMS ASSUMES EVER GREATER RELATIVE IMPORTANCE COMPARED TO TRADITIONAL TARIFF PROBLEMS.

5. IN THE PRESENT ECONOMIC STATE OF AFFAIRS AN AGREEMENT, HOWEVER MODEST, WHICH COVERED THE ESSENTIAL AREAS OF NEGOTIATION, MIGHT BE PREFERABLE NOT ONLY TO FAILURE, BUT EVEN TO A MORE AMBITIOUS EFFORT WHICH WAS NOT IMMEDIATELY PRACTICABLE. IN OTHER WORDS, THERE MAY BE INSTANCES WHERE LIMITED AGREEMENT WITH IMMEDIATE IMPACT COULD BE SECURED, LEAVING OPEN THE POSSIBILITY OF A SUBSEQUENT REAPPRAISAL OF THE SITUATION, WHEN FURTHER PROGRESS MIGHT BE POSSIBLE.

II. PROPOSED GUIDELINES AND DECISIONS:

IN VIEW OF THE DIVERSITY OF THE PROBLEMS, AND THE FACT THAT
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THE WORK IS NOT EQUALLY FAR ADVANCED IN ALL AREAS, THE COM-
MISSION IS PROPOSING HERE TO THE COUNCIL EITHER DECISIONS
OF PRINCIPLE, OR AS PRECISE GUIDELINES AS POSSIBLE TO HELP
THE COMMUNITY.S NEGOTIATOR WORK TOWARDS A GENERAL COM-
PROMISE IN ACCORDANCE WITH THE DIRECTIVES APPROVED BY THE
COUNCIL IN FEBRUARY 1975 (I/40/1/75 (COS 4) REV. 1).

IN THE INTERESTS OF CLARITY, THE MAIN AREAS THAT SEEM
ESSENTIAL FOR AN OVERALL BALANCE WILL BE DEALT WITH
SEPARATELY.

6. TARIFFS:

SEVERAL POINTS MUST BE TAKEN INTO CONSIDERATION:

A. THE COMMUNITY WILL PRESS ITS MAJOR DEVELOPED PARTNERS
(E.G. UNITED STATES, JAPAN, CANADA) TO MAKE A REAL IM-
PROVEMENT IN THEIR OFFERS SSO AS TO ACHIEVE AN EQUITABLE
BALANCE IN THE DEGREES OF TARIFF BINDING AND IN THE
TARIFF PROFILES AFTER REDUCTION. IN PARTICULAR, THIS
MEANS THAT THE UNITED STATES AND ABOVE ALL JAPAN (WHOSE
OFFER IS VERY INADEQUATE) WOULD HAVE TO IMPROVE THEIR
OFFERS AND PROPOSE TARIFF REDUCTIONS ON PRODUCTS
ORIGINALLY EXCLUDED, WHICH GENERALLY BEAR FAIRLY HIGH
DUTIES.

B. THE COMMUNITY WILL PRESS ITS OTHER DEVELOPED OR
DEVELOPING PARTNERS TO OFFER AT LEAST A SATISFACTORY
DEGREE OF TARIFF BINDINGS, WHICH IS VITAL FOR LEGAL
CERTAINTY IN TRADE ARRANGEMENTS; THE DEVELOPED COUNTRIES
SHOULD ALSO ALLOW SUBSTANTIAL REDUCTIONS ON PRODUCTS OF
IMPORTANCE TO THE COMMUNITY.

C. FOR EACH OF THE ABOVE TWO CASES IT IS DESIRABLE, IN
ACCORDANCE WITH THE COUNCIL.S CONCLUSIONS OF 4 APRIL
AND 6 JUNE 1978, TO USE THE "CONDITIONAL WITHDRAWALS"
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AS A NEGOTIATING WEAPON TO PUT PRESSURE ON THE VARIOUS
PARTNERS BY AIMING AT SPECIFIC PRODUCTS OR GROUPS OF

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PRODUCTS OF DIRECT IMPORTANCE TO THEM; THE LIST WILL BE USED IN CLOSE CONSULTATION WITH THE 113 COMMITTEE, IN SUCH A WAY AS TO ACHIEVE A BALANCED RESULT, ACCOUNT BEING TAKEN OF THE LIST OF "POSSIBLE WITHDRAWALS" LODGED WITH GATT ON 27 APRIL.

D. IT WILL BE NECESSARY TO MAKE SOME ADJUSTMENTS TO THE COMMUNITY'S TARIFF OFFER IN THE LIGHT OF THE REQUESTS PUT FORWARD BY DEVELOPING COUNTRIES WITH WHICH THE COMMUNITY HAS SPECIAL LINKS (ACP, MEDITERRANEAN COUNTRIES); A NUMBER OF THESE ADJUSTMENTS WILL ALSO SATISFY CERTAIN REQUESTS MADE BY NON-ASSOCIATED DEVELOPING COUNTRIES. THE COMMISSION'S SUGGESTIONS ARE GIVEN IN ANNEX (LIST E), SUBJECT TO FORMAL CONSULTATIONS WITH THE COUNTRIES IN QUESTION.

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E. AT THE SAME TIME, AS PART OF A BALANCED OVERALL

APPROACH TAKING IN THE PREVIOUS POINT AS WELL, THE COMMUNITY MUST TRY TO SATISFY SOME OF THE REQUESTS PUT TO IT FOR DIFFERENTIAL, MORE FAVORABLE TREATMENT. THIS WOULD INVOLVE PRODUCTS IN RESPECT OF WHICH THE COMMUNITY COULD, UNDER THE TERMS OF THE NEGOTIATING DIRECTIVES, OFFER CUTS GOING BEYOND THE FORMULA. THE COMMISSION'S SUGGESTIONS ARE GIVEN IN ANNEX (LIST G).

F. IN ACCORDANCE WITH THE WISHES OF THE DEVELOPING COUNTRIES, PARTICULARLY THOSE CURRENTLY REGARDED BY THE INTERNATIONAL INSTITUTIONS AS THE LEAST ADVANCED, THE COMMUNITY MUST:

- DECIDE ON THE PRINCIPLE OF IMPROVING THE GENERALIZED SYSTEM OF PREFERENCES IN 1979; THIS, WHILE REMAINING AUTONOMOUS, COULD NEVERTHELESS CONSTITUTE AN INTEGRAL PART OF THE COMMUNITY'S FINAL OFFER;

- TAKE THE DECISION TO INTRODUCE IN THE SECOND PHASE OF APPLICATION OF THE GSP (FROM THE BEGINNING OF 1981) ARRANGEMENTS GIVING THOSE COUNTRIES CURRENTLY RECOGNIZED BY THE UNITED NATIONS AS LEAST ADVANCED 1/ DIFFERENTIAL,

1/ NOT COUNTING ACP COUNTRIES, THESE ARE: AFGHANISTAN, BANGLADESH, BHUTAN, HAITI, LAOS, MALDIVES, NEPAL, NORTH AND SOUTH YEMEN.

MORE FAVORABLE TREATMENT, WHICH COULD GO AS FAR AS DUTY-FREE ENTRY FOR ALL AGRICULTURAL AND MANUFACTURED PRODUCTS COVERED BY THE PRESENT GSP, WITH NO RESTRICTIONS ON VOLUME.

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THE COMMISSION'S PROPOSALS ARE GIVEN IN ANNEX; IT WOULD BE HELPFUL IF THE COUNCIL COULD GIVE A FAIR WIND TO THE SCHEME AT THIS STAGE AS IT GOES TO BE FINALIZED IN THE APPROPRIATE COUNCIL BODIES. IT WILL THEN FORM PART OF THE COMMUNITY'S FINAL OFFER IN THE MTN'S.

7. NON-TARIFF MEASURES:

THE MAIN ELEMENTS ARE:

A. SELECTIVE APPLICATION OF THE SAFEGUARD CLAUSE: THIS IS PROBABLY ONE OF THE THORNIER POINTS - AND ONE OF THE MOST IMPORTANT. THE FUNDAMENTAL NEED IS TO DEFINE THE DEGREE OF INTERNATIONAL DISCIPLINE AND CONTROL WHICH WILL PREVENT POSSIBLE ABUSE AND COUNTERBALANCE INTERNATIONAL RECOGNITION OF THE POSSIBILITY OF SELECTIVE - AND IN SOME CASES

RAPID - ACTION WITHOUT THEREBY RENDERING SUCH ACTION IM-
POSSIBLE. THIS APPROACH, UPHELD BY THE COMMUNITY AND THE
NORDIC COUNTRIES, HAS IN THE EVENT MET WITH LITTLE SUPPORT,
AND THE DEVELOPING COUNTRIES, PARTICULARLY THE MORE
"EMERGENT" NATIONS AMONG THEM, CLEARLY FEEL IT AS A THREAT.
GIVEN THAT, AS INTERNATIONAL RELATIONS STAND AT PRESENT
SELFCTIVITY IS ALREADY PRACTICED TO A LARGE ETENT, IT IS
NECESSARY TO SECURE DE JURE RECOGNITION OF THE PRINCIPLE -
BUT WITHOUT PAYING AN EXORBITANT PRICE IN TERMS OF INTER-
NATIONAL CONTROLS AND LOSS OF CREDIT FOR THE COMMUNITY
WITH THF DEVELOPING COUNTRIES. IT SHOULD ALSO BE POINTED
OUT THAT JAPAN, WHICH HAS PSYCHOLOGICAL AND HISTORICALLY-
BASED RESERVATIONS AS REGARDS SELECTIVITY, IS MAKING ITS
AGREEMENT SUBJECT TO THE ABOLITION OF ALL "DISCRIMINATORY"
RESTRICTIONS MAINTAINED AGAINST IT TY CERTAIN MEMBER
STATES.

B. COUNTERVAILING DUTIES AND SUBSIDIES: THE US DELEGATION
HAS INDICATED THAT IT IS WILLING TO PUT IT TO CONGRESS
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THAT THE CRITERION OF MATERIAL INJURY SHOULD BE INCORPOR-
ATED INTO THE US LEGISLATION ON COUNTERVAILING DUTIES 1/,

1/ IT WILL ALSO BE NECESSARY TO MAKE SURE THAT WHEN
AMERICAN LEGISLATION IS AMENDED AS A RESULT OF THE
NEGOTIATIONS THE OPPORTUNITIES FOR MULTIPLE HARASSMENT
IN THE UNITED STATES (INTER ALIA UNDER SECTION 337 OF
THE TRADE ACT) ARE ELIMINATED.

THUS ALIGNING AMERICAN LAW ON THE RELEVANT GATT PRO-
VISIONS. IN ORDER TO GET THIS AMENDMENT THROUGH CON-

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GRESS, THE US NEGOTIATORS FEEL THAT A TIGHTER DISCIPLINE ON SUBSIDIES IS REQUIRED. THE COMMUNITY HAS INSISTED, SUCCESSFULLY, THAT THE EFFECTS OF SUBSIDIES ON TRADE MUST BE TAKEN INTO ACCOUNT, I.E. THAT A REALISTIC RATHER THAN DOGMATIC APPROACH SHOULD BE TAKEN. AS REGARDS EXPORT SUBSIDIES FOR INDUSTRIAL GOODS, A LIST INDICATING PROHIBITED PRACTICES WAS DRAWN UP BY GATT IN 1960. THERE IS NO PROBLEM OF PRINCIPLE, THEREFORE, INVOLVED IN UPDATING THE LIST. NATURALLY, CARE WILL HAVE TO BE TAKEN TO SEE THAT CERTAIN PRACTICES, PARTICULARLY OF A TAX NATURE, WHICH ARE CONDEMNED BY THE US BUT CONSIDERED LEGITIMATE BY GATT, ARE NOT CALLED INTO QUESTION. THE MAIN PROBLEM IS TO FIND A WAY OF REFERRING IN SUCH A TEXT, WHICH MUST ENLARGE ON THE CONCEPTS CONTAINED IN EXISTING GATT PROVISIONS WITHOUT MODIFYING THEM, TO:

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- INTERNAL SUBSIDIES IN SO FAR AS THEIR EFFECT ON INTERNATIONAL TRADE IS CONCERNED WITHOUT AFFECTING THE RIGHT OF MEMBER STATES OR THE COMMUNITY TO EMPLOY THE INSTRUMENTS OF THEIR INDUSTRIAL OR REGIONAL POLICIES

- EXPORT SUBSIDIES ON AGRICULTURAL PRODUCTS.
FURTHERMORE, THE US PROPOSAL FOR A RIGHT OF UNILATERAL ACTION WHEN THE PROCEDURE BASED ON ARTICLES XVI/XXIII DID NOT LEAD TO A RESULT IN A GIVEN PERIOD, OUGHT TO BE RESISTED; THIS PROPOSAL WOULD IN FACT GO AGAINST THE COMMUNITY'S OBJECTIVE ON THIS MATTER - THAT IS TO SAY, RESPECT FOR THE "MATERIAL INJURY" CRITERIA.
C) THE CUSTOMS VALUATION CODE: WORK HERE IS PROGRESSING RAPIDLY, AND THERE IS EVERY REASON TO HOPE THAT THE CODE CAN BE FINALIZED AD REFERENDUM ON TIME. SUCH AN ARRANGEMENT WOULD AT LAST MAKE IT POSSIBLE TO HARMONIZE CUSTOMS

VALUATION METHODS AT INTERNATIONAL LEVEL, THUS REMOVING CERTAIN TROUBLESOME DISPARITIES (E.G. THE AMERICAN SELLING PRICE AND FINAL LIST SYSTEMS IN THE UNITED STATES). HARMONIZATION IN THIS FIELD HAS ALWAYS BEEN CONSIDERED IMPORTANT BY THE COMMUNITY, AND IT WOULD APPEAR TO BE AN ESSENTIAL ELEMENT OF ANY OVERALL OUTLINE AGREEMENT.

SEVERAL MINOR TECHNICAL MODIFICATIONS MAY BE NECESSARY TO ENSURE THE SUCCESS OF THE INITIATIVE.

D. THE GOVERNMENT PROCUREMENT CODE: THE PROVISIONS OF THE CODE AS A WHOLE WOULD APPEAR TO BE ON THE POINT OF BEING SETTLED, BUT ONE MAJOR QUESTION IS OUTSTANDING: THIS INVOLVES THE LEVEL OF THE BALANCE OF CONCESSIONS RELATING TO THE CODE'S FIELD OF APPLICATION (PROCUREMENT AGENCIES AND INDUSTRIES COVERED). RATHER THAN AIMING FOR THE IDEAL LIMITED OFFICIAL USE

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SOLUTION OF MAXIMUM COVER, IT WOULD APPEAR REALISTIC TO SEEK A BALANCE AT A LEVEL WHICH TAKES ACCOUNT OF THE CONSTRAINTS ALREADY INVOLVED IN THE COMMUNITY'S INTERNAL SYSTEM (DIRECTIVE ON PUBLIC SUPPLY CONTRACTS), EVEN IF THIS HAS THE EFFECT OF LIMITING THE BAN ON "BUY AMERICAN"-TYPE PREFERENTIAL CLAUSES. IN THIS CASE IT WOULD BE WORTH PROVIDING FOR A REVIEW OF THE SYSTEM, SAY AFTER FIVE YEARS, WHEN FURTHER PROGRESS MIGHT BE MADE. THIS APPROACH SEEMS ACCEPTABLE TO THE US DELEGATION, ALTHOUGH IT IS PRESSING FOR GREATER RIGOR IN THE CONTENTS OF THE CODE, IN PARTICULAR FOR PROCUREMENT AGENCIES TO BE REQUIRED TO SUPPLY UNSUCCESSFUL TENDERERS ON REQUEST WITH THE NAME OF THE CONTRACTOR SELECTED AND THE VALUE OF THE CONTRACT.

E. CODE ON TECHNICAL STANDARDS AND REGULATIONS: THE MAJOR DECISION TO BE TAKEN HERE CONCERNS THE DEGREE OF OBLIGATION TO BE ASSUMED BY GOVERNMENTS OF STATES WITH A FEDERAL STRUCTURE; THE COMMUNITY IS INSISTING THAT THEY GO BEYOND A "BEST ENDEAVORS" UNDERTAKING IN RESPECT OF THE ACTIVITIES OF THEIR PROVINCIAL OR STATE AUTHORITIES AND ASSUME RESPONSIBILITY FOR THEM IN PARTICULAR REGARDING COMPENSATION VIS-A-VIS THE OTHER CONTRACTING PARTIES. AS REGARDS THE SETTLEMENT OF DISPUTES, THE COMMUNITY FEELS THAT IN VIEW OF THE TECHNICAL NATURE OF THE SUBJECT MATTER, SOME CAUTION SHOULD BE EXERCISED IN DECIDING ON SETTLEMENT MECHANISMS, SINCE IN THE MAJORITY OF LIKELY DISPUTES IT WOULD BE DIFFICULT TO JUDGE WHETHER THERE WAS INTENTION TO INJURE COMMERCIAL INTERESTS BY MEANS OF COMPLEX AND VARIED TECHNICAL REGULATIONS. ANOTHER QUESTION IS THE APPLICABILITY OF THE DRAFT CODE TO THE AGRI-FOODSTUFFS SECTOR.

8. AGRICULTURE:

THE SPECIFIC NATURE OF THIS SECTOR, WHICH IN THE END LED
OUR PARTNERS TO ADOPT THE NEGOTIATING APPROACH PRESENTED
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BY THE COMMUNITY, MEANS THAT A WHOLE RANGE OF ITEMS MUST
BE INCORPORATED IN THE OUTLINE AGREEMENT IN ORDER TO MAKE
IT AS BALANCED AS POSSIBLE AND ENABLE IT TO FULFILL THE
AIMS OF THE NEGOTIATION.

SUCH ITEMS SHOULD ENSURE A MORE ORDERLY DEVELOPMENT AND
EXPANSION OVER THE NEXT FEW YEARS OF WORLD TRADE IN THE

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MAIN AGRICULTURAL PRODUCTS, BACKED UP BY STRENGTHENED
INTERNATIONAL COOPERATION IN THE CONDUCT OF NATIONAL
AGRICULTURAL POLICIES.

THEY SHOULD ALSO ENABLE FOOD REQUIREMENTS TO BE SATISFIED AND THUS CONTRIBUTE TO THE SECURITY OF WORLD FOOD SUPPLIES.

TO ACHIEVE ALL THESE AIMS, THERE WILL NEED TO BE A SUCCESSFUL CONCLUSION TO CURRENT NEGOTIATIONS FOR INTERNATIONAL ARRANGEMENTS IN THREE MAIN AREAS:

A. INTERNATIONAL GRAINS AGREEMENT:

DESPITE OPPOSITION FROM THE UNITED STATES, BACKED UP BY OTHER EXPORTING COUNTRIES (IN PARTICULAR CANADA AND LIMITED OFFICIAL USE

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AUSTRALIA), THE COMMUNITY HAS ARGUED THAT THE NEGOTIATIONS SHOULD COVER BOTH WHEAT AND THE MAIN COARSE GRAINS. UNLESS THERE IS A LAST MINUTE CHANGE (WHICH IS STILL ON THE CARDS), THE AGREEMENT WILL CONSIST OF THREE CONVENTIONS: A WHEAT TRADE CONVENTION, A COARSE GRAINS CONVENTION AND A FOOD AID CONVENTION. THE INTERIM COMMITTEE SET UP BY THE UNITED NATIONS CONFERENCE WILL CONTINUE ITS WORK IN LONDON UNTIL 22 JUNE, ITS TERMS OF REFERENCE HAVING BEEN TO DRAW UP THE DEFINITIVE TEXT OF THE MAIN ARTICLES OF THE INTERNATIONAL GRAINS AGREEMENT.

(1) WHEAT TRADE CONVENTION:

CONSENSUS HAS BEEN REACHED ON THE ITEMS MAKING UP THE CONVENTION, WHICH WILL BASICALLY CONSIST OF A SYSTEM OF MINIMUM AND MAXIMUM SAFEGUARD PRICES, WITH AN INTERNATIONAL STOCKING MECHANISM.

THE COMMISSION IS ANXIOUS TO SECURE A SATISFACTORY DECISION ON THE EXACT EXTENT OF THE UNDERTAKINGS BY EXPORTING COUNTRIES TO SUPPLY WHEAT AT THE MAXIMUM PRICE LEVEL, AND THE STOCKS IT WILL BE REQUIRED TO HOLD. NEVERTHELESS, IT IS AWARE THAT THE CREDIBILITY AND SMOOTH RUNNING OF THE AGREEMENT MIGHT REQUIRE THE POSSIBILITY OF CLOSER INTERNATIONAL COOPERATION IN EXTREME SITUATIONS TO BE CONSIDERED.

(2) COARSE GRAINS CONVENTION:

THE COMMUNITY HAS PRESSED FOR A CONVENTION GOING BEYOND A MERE CONSULTATION MECHANISM. IN THE INTERESTS OF OVERALL BALANCE AND ECONOMIC LOGIC, (RELATIONSHIP BETWEEN WHEAT AND COARSE GRAINS), IT SHOULD INSIST THAT AT LEAST CERTAIN MEASURES, E.G. CONCERNING STOCKS, IF NECESSARY OPTIONAL RATHER THAN AUTOMATIC, BE INCLUDED TO ADD MORE SUBSTANCE LIMITED OFFICIAL USE

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TO ANY AGREEMENT.

B. DAIRY PRODUCTS AGREEMENT:

RECENT PROGRESS HAS MEANT THAT THE OUTLOOK FOR AN INTERNATIONAL AGREEMENT ON THE WHOLE DAIRY PRODUCTS SECTOR IS NOW GOOD. SUCH AN AGREEMENT WOULD COMPRISE A FRAMEWORK FOR CONSULTATIONS AND THE EXCHANGE OF INFORMATION (IN THE EVENT OF PROBLEMS ON THE MARKET), SUPPLEMENTED BY VARIOUS PRICE DISCIPLINE ARRANGEMENTS FOR THE MAIN PRODUCTS (MILK POWDER, BUTTER) AND BILATERAL AGREEMENTS ON SPECIFIC PRODUCTS (CHEESE).

IN THE CHEESE SECTOR THE COMMUNITY CAN HOPE TO SECURE VARIOUS AGREEMENTS CONSOLIDATING ITS EXPORT POSITION, WHILE MAKING THE MINIMUM NUMBER OF CONCESSIONS NECESSARY TO ENSURE THE CONCLUSION OF A DAIRY PRODUCTS AGREEMENT, WHICH IS OF VITAL IMPORTANCE TO IT.

C. ARRANGEMENT REGARDING BOVINE MEAT:

HERE TOO IT SEEMS LIKELY THAT A MULTILATERAL FRAMEWORK AGREEMENT ON THE EXCHANGE OF INFORMATION AND CONSULTATIONS WILL BE REACHED, BACKED UP BY BILATERAL AGREEMENTS ON "JOINT DISCIPLINES", THE CONTENTS OF WHICH WERE DEFINED IN A RECENT COMMISSION COMMUNICATION TO THE 113 COMMITTEE.

OUTSIDE THESE SECTORS, THE COMMUNITY IS ALSO NEGOTIATING OTHER POINTS WITH A DIRECT OR INDIRECT IMPACT ON THE COMMON AGRICULTURAL POLICY AS REGARDS BOTH IMPORTS AND EXPORTS.

SAFEGUARDS AND STANDARDS: THE COMMUNITY MUST TAKE CARE THAT THE ITEMS TO BE INCLUDED IN THE OVERALL OUTLINE AGREEMENT TAKE ACCOUNT OF THE SPECIAL RULES RELATING TO AGRICULTURE.

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SUBSIDIES AND COUNTERVAILING DUTIES: THE COMMUNITY SHOULD MAKE ITS AGREEMENT SUBJECT TO RETAINING THE FULL TEXT OF ARTICLE XVI, PARTICULARLY PARAGRAPH 3, WHICH IS SUFFICIENT AS IT STANDS AND THEREFORE NEEDS NO INTERPRETATIVE CLAUSES. VARIOUS PRODUCTS: THESE ARE PRODUCTS IN RESPECT OF WHICH THE COMMUNITY'S PARTNERS HAVE REQUESTED SPECIFIC CON-

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 OIC-02 AGRE-00 CEA-01 CIAE-00
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CESSIONS, GOING WELL BEYOND THE LIST OF OFFERS LODGED BY
THE EEC. THE COMMUNITY HAS NOT SO FAR RESPONDED TO THESE
REQUESTS, FEELING THAT EQUILIBRIUM HAS BEEN REACHED IN
THE OFFER/REQUEST PROCEDURE.

9. FINAL REMARKS:

THOSE ARE THE MAJOR POINTS WHICH IN THE COMMISSION.S
OPINION NEED TO BE SETTLED IN THE OVERALL OUTLINE AGREE-
MENT TO BE DRAWN UP SHORTLY. FOUR FURTHER OBSERVATIONS
MAY BE MADE:

A. GIVEN THE RAPID EVOLUTION OF THE NEGOTIATIONS AND THE
NEED FOR REALLY RAPID ADAPTATIONS, THE COMMISSION WILL
REMAIN IN CLOSE CONSULTATION WITH THE ARTICLE 113 COMMIT-
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TEE, AND WILL REPORT TO THE COUNCIL AT REGULAR INTERVALS

UNTIL THE FINAL CONCLUSION OF THE NEGOTIATIONS, WHEN THE COUNCIL WILL HAVE TO TAKE A DECISION ON THE PACKAGE OF RESULTS.

B. WITH REGARD TO THE IMPLEMENTATION OF TARIFF CUTS TO BE AGREED, WE WOULD POINT OUT THAT THE COUNCIL HAS ALREADY DEFINED THE COMMUNITY POSITION (CONCLUSIONS OF 17 JANUARY 1978): A PHASED REDUCTION IN TWO STAGES, THE FIRST CONSISTING OF FIVE ANNUAL STEPS, WITH A SECOND CONDITIONAL STAGE OF THREE STEPS. (1/)

C. IT IS POINTED OUT THAT THE COUNCIL HAS ALSO INDICATED (CONCLUSIONS OF 17 JANUARY 1978) THAT THE COMMUNITY WILL NOT IMPLEMENT ITS OWN CONCESSIONS UNTIL PARLIAMENTARY PROCEDURES OF APPROVAL HAVE BEEN COMPLETED, WHERE NECESSARY, BY ITS INDUSTRIALIZED PARTNERS.

D. AS INDICATED IN THE DOCUMENT "DEVELOPMENT OF AN OVER-ALL APPROACH TO TRADE IN VIEW OF THE COMING MULTILATERAL NEGOTIATIONS IN GATT" (L/135/73 (COMER 42) OF 26 JUNE 1973), THE COMMUNITY IS STILL KEEN, IN THE INTERESTS OF MAINTAINING A BALANCE, THAT ALL CONTRACTING PARTIES SHOULD APPLY THE SAME RULES AND CEASE TO ENJOY THE BENEFIT OF THE EXCEPTION UNDER THE PROTOCOL OF PROVISIONAL APPLICATION. END TEXT.

(1/) THE COUNCIL HAS ALREADY AGREED THAT FOR TEXTILES, IRON AND STEEL PRODUCTS (CHAPTER 73), AND CERAMIC PRODUCTS (CHAPTER 69), AS REGARDS SPECIFIC DUTIES AND LEAD ADDITIVES, THE IMPLEMENTATION OF TARIFF CUTS WILL BE DELAYED UNTIL 1 JANUARY 1982. HINTON

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